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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1946

No. 953

THE SANITARY DISTRICT OF CHICAGO,
Petitioner,

vs.

ACTIVATED SLUDGE, INC., ACTIVATED SLUDGE, LTD., EDGAR C. GUTHARD, CARL W. JOHNSON, ALBIN C. AHLBERG, ARTHUR D. BRADBURY, CLIFFORD C. BRADBURY, CLIFFORD C. BRADBURY as Assignee of DOROTHY F. BRADBURY, Deceased, WILBURN F. BRADBURY, EVA B. CAMP, CLAIRE M. FAIRBANKS as Assignee of ARTHUR B. FAIRBANKS, Deceased, SAMUEL B. FLEAGER, FRANCES F. JOHNSON, NINA JOHNSON, ALBERT G. McCALEB, RUTH F. McCALEB, FRANKLIN MAYO, GERTRUDE A. REINKE, PATRICIA M. WILLIAMS and LYNN A. WILLIAMS, JR.,
Respondents.

PETITION FOR REHEARING.

ERNST BUEHLER,
EDMUND D. ADCOCK,
RALPH M. SNYDER,
ELI E. FINK,
Attorneys for Petitioner.

CHAMPLIN-SHEALY COMPANY, CHICAGO 365

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Respondents.

PETITION FOR REHEARING.

On March 10, 1947 this Court denied our petition for writ of certiorari (filed January 27, 1947) to review the judgment of the Seventh Circuit Court of Appeals affirming the judgment of the District Court against the petitioner

for general damages in the sum of $950,000 for infringement of apparatus and process patents relating to purification of sewage.

The ineptitude of our presentation of the certiorari petition we feel must have been the cause of the refusal of this Court to review the lower court's decision, thereby resulting in a flagrant miscarriage of justice. However, we do know that in the last several years in many cases petitioners' counsel have succeeded in obtaining supervisory action by this Court only after filing petitions for rehearing of the denied petitions for certiorari.

We shall not burden the Court by a discussion of the several points presented in our certiorari petition but will confine ourselves to urging in this rehearing petition only two of such points, as follows:

I.

The unconscionable and inequitable conduct of the respondents in instituting and carrying on the litigation through conspiracy, suppression of evidence and false testimony is a fraud on the court and requires the court on true facts being brought to its attention to take whatever action is necessary to remedy the wrong.

II.

The final judgment on the accounting should be reviewed and thereupon reversed because there is included in the judgment an unstated amount for so-called "extra damages", a concept having no precedent in the law and no basis in principle.

Point I.

In this section of our petition for rehearing we wish to call the Court's attention to certain matters additional to those set forth in our petition for certiorari which should enable the Court to comprehend more fully the grave importance and nature of the inequitable and unconscionable conduct of the respondents in instituting and carrying on this litigation. The Court may have been confused by the fact that there were two petitions in the District Court, one sought to be filed in 1940 to re-open the case and the other filed on June 18, 1945. While both petitions related to conduct, they were based upon two different grounds.

The petition filed in 1940 is described by the District Court's opinion as based upon two premises (R. III, 885, 886):

> "First, that the suit should be dismissed for the reason that it was inspired, filed and prosecuted through the action of one Dilling, formerly chief engineer of defendant, who, it is alleged, learned the facts concerning the vulnerability of defendant to patent litigation under the patents here involved while employed by defendant. * * * The second contention is that Activated Sludge, Inc., plaintiff, who succeeded in the litigation culminating in the decree of infringement, did not have title to the patents in suit when it became party plaintiff or when the decree was entered and, being without title, if the facts had been presented, could not properly have succeeded."

The ground for the petition of June 18, 1945 is stated by the petition as follows (R. I, 21):

> "By reason of the concealment and suppression of evidence and conduct by which the judicial machinery was set in motion in this case and the conduct of the case and the method of carrying it on to decree of February 8, 1935, which conduct above and herein related violated conscience, good faith and other equi-

table principles, the said plaintiffs are barred, precluded and estopped from obtaining any recovery by virtue of said decree or from receiving any pecuniary benefits therefrom."

In order that the first petition should succeed, it was necessary that on the face of the petition it should appear that if the newly discovered facts had been properly pleaded and presented to the court, such facts would have required the court to bar the action for the unclean hands of the respondents due to the conduct of Dilling, a former employe of the petitioner, in instituting and carrying on the suit, or that the respondent Activated Sludge, Inc. did not have title to the patents. At that time the cases of *Hazel-Atlas Glass Company* v. *Hartford-Empire Co.*, 322 U. S. 238, and *Precision Instrument Manufacturing Co.* v. *Automotive Maintenance Machinery Co.*, 324 U. S. 806, had not been decided. The case of *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240, had been decided but was never cited to or considered by Judge Lindley in his opinion of July 5, 1940 (R. III, 885).

The petition filed on June 18, 1945 is based upon the principles laid down in the *Hazel-Atlas, Precision Instrument* and *Keystone Driller* cases where the conduct of the plaintiffs in the institution and carrying on of the suit was of such a character as to constitute a fraud upon the court requiring the devitalization of the plaintiffs' judgment or decree. In such instance the court should act whenever such fraud comes to its attention. The length of the time between when the conduct occurred and the time when it came to the court's attention, is unimportant.

This Court in *Marr* v. *A. B. Dick Co.* on November 12, 1946 granted the petition for certiorari based upon the amicus curiae memorandum* of the Solicitor General which

* Copy of the memorandum of the Solicitor General in *Marr* v. *A. B. Dick Co.* is attached hereto as "Appendix A."

set forth that "respondent's continuing inequitable and fraudulent suppression of proof pertinent to the validity of its patent has withheld from the petitioner facts which, had they been available to it, *might* have defeated the present suit." (Case No. 504; 91 L. ed. 73).

The proof suppressed in the *Marr* case related to the prior art. The proof suppressed here related, among other things, to the right of the plaintiff Guthard to sue because of Dilling's relationship to the cause of action. The Solicitor General's memorandum filed in the *Marr* case cited and relied upon the *Hazel-Atlas, Precision Instrument* and *Keystone Driller* cases.

By its denial of our petition for certiorari, does this Court wish it to be understood that it sanctions the distinction made by the District Court and apparently approved by the Court of Appeals, namely, that the principles enunciated in the *Keystone Driller, Hazel-Atlas* and *Precision Instrument* cases are limited to fraud when practised upon the Patent Office but that they do not apply to fraud perpetrated upon the Federal Courts in an action to enforce patent rights? (See our petition for certiorari, pp. 3, 23.)

By the denial of our petition for certiorari does this Court wish it to be understood that it no longer sanctions the principles enunciated and set forth in the Solicitor General's amicus curiae memorandum filed in the *Marr* case (Appendix A hereto), to the effect that the Court upon discovery of the facts showing fraud practised upon it "will take whatever action is necessary to remedy this wrong"?

Are the American Bench and Bar to believe that the Court places its stamp of approval upon a conspiracy to conceal the relationship to this case of one of the patent

owners, Dilling, one of the objects of which conspiracy was, as stated by another one of the patent owners, "merely because we would expect to use Mr. Dilling as an expert witness" (R. I, 711)!

Another reason for the suppression of Dilling's relationship to this case was that respondents were apprehensive that if his relationship were known, petitioner might have a defense of unclean hands arising out of the fact that it was their former Chief Engineer who instigated and brought about this suit. Regardless of the reasons which motivated respondents, the fact remains that every time respondents appeared in the courts they wore false faces, concealing the identity of Dilling.

Circuit Judge Baker of the Seventh Circuit in his opinion in *Toledo Scale Co.* v. *Computing Scale Co.*, 281 Fed. 488, 496, condemned and characterized such conduct as most iniquitous and said:

> "Nevertheless Computing Company permitted the hearing of evidence to be closed without informing Toledo Company and the trial court that there were witnesses who could testify and exhibits at Pawtucket and elsewhere (some in its own factory) which could be introduced in evidence as to the bearing of the old Phinney scales upon the validity of Computing Company's patent.
>
> Such a withholding or suppression of evidence, though less iniquitous than the affirmative use of forged documents, false exhibits, and perjured testimony, runs counter to one's sense of ideal fair play. Our judicial processes have advanced from determining controversies by wager of battle until courts now endeavor to learn the truth and to base their decrees thereon."

For respondents to have concocted a scheme to suppress Dilling's relationship to the case and for them to have executed the scheme by false pleadings, false testi-

mony, false statements of counsel and false references in briefs, is so shocking that this Court cannot stand by and grant its tacit approval.

The opinion of the District Court of July 5, 1940 (33 F. Supp. 692, R. III, 885) adopted by the Court of Appeals as its opinion (118 F. (2d) 899) was rendered and written by the court in connection with the order entered July 5, 1940 denying leave to the petitioner, Sanitary District, defendant below, to file its petition to reopen the cause and present newly discovered evidence relating to the unclean hands of the plaintiffs, respondents here, on account of the relationship of Dilling to the enterprise. A reading of the opinion would lead one to believe that a trial had taken place of all the issues involving the unclean hands and the conduct of the respondents. The fact is that no trial took place. The District Court on the application for leave to file the petition to reopen in 1940 was presented with only one simple question of law and that was whether the facts set forth in the petition were in law sufficient to grant the relief sought and whether the petitioner had been guilty of laches.

The court permitted the parties to file documents and affidavits to be used in connection with the motion for leave to file the petition to reopen and in its opinion stated as findings certain facts based upon such documents and affidavits. The court's finding that the petitioner was guilty of laches was based principally on a notice of attorneys' lien (R. II, 350) which the District Court said was served on petitioner on January 7, 1936 by Dilling's attorneys (33 F. Supp. 692, 694). The petition to reopen sought to be filed alleged specifically and directly that knowledge of Dilling's connection to this case came to petitioner on, and not before, August 4, 1938 (R. II, 23-4),

only one year prior to seeking leave from the Court of Appeals to present the petition to the District Court. The notice of attorneys' lien of January 7, 1936 upon which the court relied for its finding of laches was given by Dilling's attorneys under statutes of Illinois and merely stated that (R. II, 350):

> "Albert W. Dilling has retained and employed us to act as his attorneys for the purpose of prosecuting any suit at law or in equity or to effect a settlement of his claim or cause of action against you arising out of the interest claimed by the said Albert W. Dilling in the patents acquired by Activated Sludge of America, a trust, and Activated Sludge, Inc., a corporation, by assignment, particularly with reference to your infringment on said patents * * *".

It must be remembered that at that time the petitioner understood from the testimony of Guthard and Mayo that Guthard, Mayo and McCaleb originally and prior to 1927 had an exclusive license under the patents for four states; that in January of 1927 Guthard and Activated Sludge, Ltd. cancelled the exclusive license; and that Activated Sludge, Ltd. immediately thereafter assigned all the patents to Activated Sludge, Inc. Consequently, it would have been understood by petitioner that if Dilling had any interest in 1936 it had been acquired from Activated Sludge, Inc. in or after the year 1927, which was several years after this suit was filed. Nothing had come to the attention of the petitioner in 1936 which would cause petitioner to suspect that Dilling had obtained such interest improperly, as petitioner later discovered. No suit was instituted on behalf of Dilling against his co-adventurers until October 29, 1936 (R. II, 67-70). No suit was ever instituted against petitioner in which Dilling's name appeared as a plaintiff, and no notice was ever given by anyone to petitioner, the Sanitary District, of the filing

of a suit by Dilling against his co-adventurers, until August 4, 1938, as above set forth. (See also R. II, 351.)

Consequently, it cannot be fairly claimed that the notice of attorneys' lien of January 7, 1936 put petiitoner on inquiry as to the actual facts concerning Dilling's relationship to the patents. It was not until August 4, 1938, as alleged in the petition to reopen, that petitioner commenced, or could reasonably have been expected to commence, to make inquiry as to Dilling's position (R. II, 23). From that time on petitioner proceeded with due speed, encountering many obstacles originated by respondents to petitioner's ascertaining the facts upon which to base its petition to reopen (R. II, 24, 33-36).

The notice of attorneys' lien would lead one to believe that Dilling had acquired his interest in the patents in suit only shortly prior to the date of the notice (R. II, 350) and consequently there would arise no suspicion of wrongdoing on the part of Dilling and his co-adventurers. No suspicion would arise that the prior testimony of Guthard and Mayo was false and that this action was originally instigated by petitioner's former chief engineer against a specific installation which he had induced petitioner to install. Yet the lower courts find laches because there was "no showing in the petition or the evidence submitted" that petitioner embarked upon an investigation of Dilling's alleged interest when it received said notice (33 F. Supp. 692, 695).

The finding of lack of fraud is phrased by the lower courts as follows (33 F. Supp. 692, 699):

> "I cannot attribute fraud to plaintiff in concealing the alleged interest of Dilling, for apparently plaintiff and Dilling's former associates have at all times earnestly insisted that he had no interest, and apparently considered his interest wiped out."

The positive allegations of fraud in the petitions sought to be filed cannot be brushed aside by mere surmise and speculation as to what Dilling and his associates "apparently" insisted or considered. For the lower courts to have found that Dilling's associates "at all times" insisted that he had no interest is to draw an obviously erroneous inference from the record. It was not until 1927 that certain transactions occurred which enabled Dilling's co-adventurers at a later date to dispute Dilling's interest in the enterprise (R. II, 79, 387). At the time when the disagreement arose in 1927 between Dilling and his associates, this action had been pending for several years and during all that time Dilling was recognized by his associates as a part owner of the patents in suit (R. II, 10-11, 47, III, 634-656).

The minutes of "Activated Sludge Processes of America" for May 24, 1926 disclose that Dilling was present along with his co-adventurers, Guthard, Mayo and McCaleb, when they empowered one Francis to represent them in attempting to negotiate a license with petitioner (R. I, 738, 739). By 1927 many of the acts of suppression and concealment relating to Dilling's interest in this case had taken place (see Petition for Certiorari, pp. 5-8, 24-31).

In a similar vein the District Court in its opinion adopted by the Court of Appeals characterizes the testimony of the witnesses Mayo and Guthard as being "somewhat uncertain" but not "intentionally false" (33 F. Supp. 692, 700). It is beyond comprehension how the lower courts could have come to that conclusion in the face of admissions by both witnesses, when confronted with their testimony in this case on cross-examination in the suit later brought by Dilling against them and others, that they had not told the truth when they testified in this case (R. II, 31-33). Needless to say, petitioner was denied the oppor-

tunity of examining Dilling, Mayo and Guthard, or any one else, in order to substantiate the allegations of this fraudulent conduct. This denial also embraced the ordinary right to take depositions by way of discovery or otherwise (R. I, 35).

That both petitions allege facts entitling petitioner to the relief sought will be apparent to anyone who reads them (R. II, 3-102; I, 9-33). The grievous error of the courts below is found in their departure from established judicial procedures in failing to grant petitioner an opportunity to prove the allegations contained in the petitions sought to be filed.

In the *Marr* case your Honors did not waive aside the charge of fraud upon the Court on the ground that it referred to matters occurring over twenty years previously. This Court did not say that nothing could be gained by reiterating the principles established in the cases cited above, namely, that a patentee will be barred from recovery upon proof that fraud was perpetrated in obtaining or enforcing patent rights. This Court did what it should do here, it vacated the judgment of the Circuit Court of Appeals and required consideration of the questions raised by the Solicitor General as to "whether respondent's prosecution of the instant case may not constitute a fraud upon the courts".

Every word in the Memorandum of the Solicitor General in the *Marr* case is applicable to the facts in this case. Certainly, the voice of a private litigant is as potent in our courts as that of the Solicitor General. It is not too late for justice to be done.

Fraud upon the courts cannot be tolerated or ignored. It must be stricken down every time that it is called to the attention of the courts. To fail to do so is to encourage

it and invite its repetition. The charges of fraud and suppression of evidence made in this case have become well known. The final decision of this Court as to the propriety of respondents' conduct is being anxiously awaited.

The refusal of this Court to take cognizance of this fraud practised upon the Court will encourage others to commit similar acts of fraud upon the Court in the hope and belief that such fraudulent practices will be overlooked and disregarded in the same manner.

The inconsistency between the high standards enunciated in the opinions in the *Hazel-Atlas, Precision Instrument* and *Keystone Driller* cases and the sullied conduct and concealment in the instant case is "well calculated to suggest distrust" (*Root* v. *Railway Co.*, 105 U. S. 199) of the administration of justice.

Point II.

In this section of our petition for rehearing we again call to the Court's attention the necessity of its reviewing the final judgment below because in that judgment there was included, according to the lower court's opinion, an element called "extra damages" which is a novel concept in the literature relating to damages recoverable for patent infringements and has no basis in principle.

After a century and a half of development in the law of damages in patent cases, the rules have become fairly well delineated. Throughout that period the concept of "extra damages", something above and beyond the plaintiff's damages or the defendant's profits or a reasonable royalty, but falling short of punitive or exemplary damages, had never been developed, or even mentioned, until the opinion of the District Court below was rendered. For that reason alone this new theory must be viewed with

suspicion. But in addition to the lack of any precedent, the concept cannot be justified by any process of reasoning.

The specious nature of the "extra damages" concept is made manifest by respondents' lame attempt to explain it (Respondents' Brief in Opposition to Petition for Writ of Certiorari, pp. 23-27). Respondents do not deny that the concept of "extra damages" is without precedent in the law and they do not deny that the "extra damages" were not allowed as punitive or exemplary damages.

In the Court of Appeals respondents argued* that when the District Court allowed "extra damages", it was the same as allowing "increased damages" under the statute. Apparently realizing that this argument is inconsistent with the conclusion of the District Court that no increased damages can be allowed against a municipal corporation (R. I, 68), respondents now change their position and argue that the "extra damages" were properly allowed as part of "a reasonable sum as general damages" (apparently claimed by respondents to be something more than a reasonable royalty) by way of making allowance for compound interest on the reasonable royalty, litigation expense and the charge (unproved) that petitioner was a persistent and deliberate infringer (Respondents' Brief in Opposition to Petition for Writ of Certiorari, pp. 24-25).

However, in arguing that the District Court entered judgment for "a reasonable sum as general damages" rather than a reasonable royalty, the respondents are inconsistent with the conclusion of the District Court which

* "The weakness of defendant's plea is evident when it becomes necessary for it to picayunishly criticize (Def. Brief, pp. 128, 129) the trial court's use of the word 'extra' in connection with the compensatory damages assessed in this case. The Statute specifies that the court, in its discretion, shall have the power to award increased damages but 'increase' and 'extra' are synonymous."

held that respondents were entitled to recover "on the theory of general damages by way of reasonable royalty" or "on the basis of general damages in the nature of a reasonable royalty" (R. I, 51).

Respondents' present position is also inconsistent with the interpretation placed by the courts upon the phrase "a reasonable sum as profits or general damages for the infringement" appearing in the statute (35 U. S. C. A., Sec. 70). Respondents would have us believe that the statute permits the award of damages of a vague and indefinite nature and that damages may be awarded in a lump sum and by following "rough and ready" methods.* The history of the above-quoted phrase from the statute, upon which respondents rely, makes it clear that Congress did not intend to incorporate into the statute any such nebulous notions but did intend to embody into the law the doctrine of reasonable royalty as a basis of recovery.

Under the 1870 Act of Congress the statute provided as follows (R. S., Sec. 4921, Act July 8, 1870, c. 230, Sec. 55, 16 Stat. 206; 35 U. S. C. A., Sec. 70):

> "* * * the complainant shall be entitled to recover, in addition to the *profits* to be accounted for by the defendant, the *damages* the complainant has sustained thereby * * *" (emphasis supplied)

The "damages" referred to in the statute are construed to mean the established royalty, if any, which the plaintiff lost by virtue of the infringement, or the compensation for injury to the plaintiff's business by loss of sales or otherwise (Walker on Patents (Deller's Ed.), pp. 2152-2168). As distinguished from "damages" the plaintiff in a patent infringement case may also recover the defendant's "prof-

* For a repudiation of such methods, see *Mathey* v. *United Shoe Machinery Corp.*, 54 F. Supp. 694, 701-2 (D. C. Mass., 1944).

its" or savings arising out of the infringement (Walker on Patents (Deller's Ed.), Chap. 26).

In the leading case of *U. S. Frumentum Co.* v. *Lauhoff*, 216 Fed. 610 (C. C. A. 1914), the court pointed out that in numerous cases the plaintiff had been unable to recover more than nominal damages because of inability to prove damages or profits. The court held that, under such circumstances, the plaintiff should be able to recover a reasonable royalty on analogies to the law of tortious takings of other property than patent rights. The doctrine of reasonable royalty proclaimed in the *Frumentum* case was later codified by an amendment of the Patent Act in 1922, which reads as follows (Act of Feb. 18, 1922, c. 58; 35 U. S. C. A., Sec. 70):

> "If on the proofs it shall appear that the complainant has suffered damage from the infringement or that the defendant has realized profits therefrom to which the complainant is justly entitled, but that such damages or profits are not susceptible of calculation and determination with reasonable certainty, the court may, on evidence tending to establish the same, in its discretion, receive opinion or expert testimony, which is hereby declared to be competent and admissible, subject to the general rules of evidence applicable to this character of testimony; and upon such evidence and all other evidence in the record the court may adjudge and decree the payment by the defendant to the complainant of a reasonable sum as profits or general damages for the infringement."

That the 1922 amendment was intended to give statutory sanction to the doctrine of reasonable royalty is made clear in *Egry Register Co.* v. *Standard Register Co.*, 23 F. (2d) 438 (C. C. A. 6, 1928), wherein Judge Denison says (p. 442):

> "The plaintiff having suffered a plain injury, and not having been able to make satisfactory proof of

> damages, and not being entitled to all the defendant's profits, and not being able to make an intelligent apportionment, we find here a clear instance of that class of cases discussed in *U. S. Frumentum Co.* v. *Lauhoff* (C. C. A.), 216 F. 610, 615, where the award of a reasonable royalty is the only solution of the difficulty. This has been sanctioned by the Supreme Court, and we have several times applied it. *Dowagiac* v. *Minnesota, supra; K. W. Co.* v. *Temko,* 283 F. 873, 878; *Fox* v. *Underwood,* 287 F. 453, 454; *Gear Co.* v. *Studebaker Co.,* 4 F. (2d) 510; *National Tube Co.* v. *Mark,* 10 F. (2d) 430, 432. Much of the doubt formerly existing as to when a case was fit for the application of this measure of damages is removed by the Act of February 18, 1922, sec. 8, embodied in U. S. Code, tit. 35, sec. 70."

Reasonable royalty is a well defined concept. It consists of the royalty fee which the parties, acting reasonably and without duress and mutually desirous of entering into a license agreement, would have agreed upon at the commencement of the infringement as a fair and reasonable fee for a license under the patents in question. One of the best definitions of a reasonable royalty is found in the language of Judge Denison in

> *Egry Register Co.* v. *Standard Register Co.,* 23 F. (2d) 438 (C. C. A. 6, 1928),

as follows (p. 443):

> "To adopt a reasonable royalty as the measure of damages is to adopt and interpret, as well as may be, the fiction that a license was to be granted at the time of beginning the infringement, and then to determine what the license price should have been. In effect, the court assumes the existence *ab initio* of, and declares the equitable terms of, a supposititious license, and does this *nunc pro tunc;* it creates and applies retrospectively a compulsory license. * * *

> In fixing a reasonable royalty, the primary inquiry, often complicated by secondary ones, is what the parties would have agreed upon, if both were reasonably trying to reach an agreement."

There are no authorities to justify the allowance, in a case such as this, of an amount greater than a reasonable royalty. It may be that in other types of cases, where the plaintiff suffered loss in sales but cannot prove the amount thereof with reasonable certainty or where the defendant gained profits but they cannot be calculated with reasonable certainty, the plaintiff can recover general damages based on a reasonable approximation of such lost sales of the plaintiff or profits of the defendant. However, in this case there were no lost sales of the plaintiffs or profits by the defendant.

Respondents stipulated that they suffered no damages because of lost sales and that petitioner made no profits (Par. 18 of Stipulation, R. I, 507). The lower courts sustained respondents' position that they had no established royalty (R. I, 51). Only one basis of recovery remained, namely, that of a reasonable royalty and the lower courts so found (R. I, 51; see Walker on Patents (Deller's Ed.), pp. 2157-2173). Respondents' only business was to negotiate license agreements and the petitioner's refusal to recognize the respondents' patent rights deprived the respondents of only one thing, namely, the royalty charge payable under a license agreement. This should make it clear that respondents are limited in this case to the recovery of a reasonable royalty charge.

The five cases cited by respondents do not support their argument that such items as lost interest, litigation expense and deliberate infringement may be considered in

determining "a reasonable sum as general damages." The first case, that of

Overman Cushion Tire Co., Inc., v. *Goodyear Tire & Rubber Co.*, 66 F. (2d) 361 (C. C. A. 2),

involves the usual case of conscious and deliberate infringement, on account of which the court doubled the amount of the reasonable royalty by way of punitive or exemplary damages. The increased amount was not allowed as part of "a reasonable sum as general damages".

The second case cited by respondents,

John B. Stetson Co. v. *Stephen L. Stetson*, 58 F. Supp. 586,

did not involve the calculation of damages in a patent infringement case. In that case a fine was imposed by the court for contemptuous violation of an injunction entered in a trade-mark action. The case is entirely beside the point.

In

Swan Carburetor Co. v. *Nash Motors Co.*, 133 F. (2d) 562 (C. C. A. 4),

there was no question of extra or punitive damages. Judgment was entered on the theory of an *established* royalty and interest was allowed only from the date of the Master's report. The Court of Appeals reversed on the ground that interest should have run from the date of the infringement, that being the general rule in the case of established royalty.

In

Duplate Corp. v. *Triplex Safety Glass Co.*, 298 U. S. 448,

also cited by respondents, it was held that interest on reasonable royalty does not run prior to the date when the damages are liquidated unless there are present "ex-

ceptional circumstances", presumably conditions permitting the allowance of interest by way of exemplary damages* and it is conceded in this case that exemplary damages are not allowable against petitioner.

In the last case cited by respondents,

Mathey v. *United Shoe Mach. Co.*, 54 F. Supp. 694 (D. C. D. Mass.),

the court, finding deliberate infringement and bad faith, increased the damages by 50% by way of exemplary or punitive damages so that the "exceptional circumstances" referred to in the *Duplate* case were present.

It is readily apparent that none of the cases cited by respondents supports the theory of "extra damages" conjured by the courts below.

In concluding that "extra damages" were recoverable, the District Court stated that it was including "damages purely compensatory which are *elusive* but which plaintiffs ought to recover" (R. I, 69-70). In our petition for certiorari (p. 41) we make the point that the "elusive" damages which the court below held were recoverable by respondents are not defined by the court below. At another point in its opinion, in considering the various elements involved, the District Court referred to advantages which were "elusive in character", such as freedom from noxious odors, putrid streams and pestilential flies (R. I, 63-64). Respondents confuse these two references to elusive damages and erroneously state that the District Court defined the elusive ingredients of the "extra damages" (Respondents' Brief, pp. 25-26).

The District Court's discussion of its concept of "extra damages" is beclouded with ambiguity and uncertainty.

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* *Kaltenbach* v. *Chesapeake & Ohio Ry.*, 43 F. Supp. 819, 820 (D. C. Va.).
Reynolds Spring Co. v. *Young*, 101 F. (2d) 257 (C. C. A. 6).

Repeated perusal of the District Court's opinion sheds no enlightenment on the subject (R. I, 68-70). The Court of Appeals, in its perfunctory memorandum opinion, said nothing to clarify the subject. Respondents in their brief in opposition to the petition for certiorari were unable to make a single valid argument in support of the District Court's new idea.

Before long plaintiffs in patent accounting trials will cite the opinion of the District Court, affirmed by the Court of Appeals and certiorari denied by this Court, as solid authority for the proposition that "extra damages" of elusive character may be granted in the discretion of the court as part of the original damages, even though punitive or exemplary damages would not be allowable. In all probability the courts in other circuits will be divided, some will follow the precedent found in this case, while others, unable to find any basis for the rule, will refuse to allow "extra damages". One day a petition for certiorari will be filed with this Court on the ground of conflict between the circuits and certiorari will most likely be allowed. At that time this Court will undoubtedly hold that the decision in this case was erroneous. In the meantime the excessive judgment entered in this case will have been paid and many cases will have been erroneously decided on the precedent of this case. Would it not be better, when this Court is asked to review a newly created concept of law of dubious propriety but general application, for this Court to express its opinion in regard thereto before too much confusion results? The notion of "extra damages" concocted by the courts below should at once be denounced as ill-conceived and erroneous.

We respectfully ask that the Court grant a rehearing of our petition for writ of certiorari and set aside its order

denying such petition and grant the prayer of the petition for writ of certiorari.

Respectfully submitted,

ERNST BUEHLER,
EDMUND D. ADCOCK,
RALPH M. SNYDER,
ELI E. FINK,
Attorneys for Petitioner, The Sanitary District of Chicago.

Certificate of Counsel.

The undersigned, one of the attorneys of record for the petitioner, The Sanitary District of Chicago, defendant in the above entitled cause, hereby certifies that the foregoing petition for rehearing is presented in good faith and not for delay.

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RALPH M. SNYDER.

APPENDIX A.

IN THE SUPREME COURT OF THE UNITED STATES,
October Term, 1946

No. 504

James Marr, doing business as
Marr Duplicator Company,
Petitioner,
vs.
A. B. Dick Company.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

MEMORANDUM FOR THE UNITED STATES AS AMICUS CURIAE.

The petitioner seeks review of a decision of the Circuit Court of Appeals affirming a decree awarding respondent damages and costs for infringement of respondent's Patent No. 1, 526,982. The court's decision was rendered on June 26, 1946, and a petition for rehearing was denied on July 25, 1946.

On July 22, 1946, an indictment under the Sherman Act was returned in the United States District Court for the Northern District of Ohio, Eastern Division, against respondent and others (*United States* v. *A. B. Dick Company, et al.*, Cr. No. 18981) and on the same day a complaint under that Act was filed in said court (*United States* v. *A. B. Dick Company, et al.*, Civ. No. 24188). The Solicitor General deems it to be his duty as an officer of this

Court to bring to the Court's attention the following allegations made in the foregoing indictment and foregoing complaint, which raise the question whether respondent's prosecution of the instant case may not constitute a fraud upon the courts:

> In or about 1922, an employee of Dick named Edward W. Hill applied to the United States Patent Office for a patent on a cellulose stencil and assigned his application to Dick. Beginning in or about 1923, and continuing for some time thereafter, cellulose stencils of a type similar to that described in the Hill application were manufactured or distributed, or both, by the H. E. Smith Co. (owned by Harry E. Smith) and Rowe-Williams Inc. (owned by Joseph W. Rowe). In 1925, a patent issued on the Hill application and, shortly thereafter, Dick commenced separate infringement suits on the Hill patent against Smith and Rowe and their respective companies. Smith and Rowe each defended on the ground that the Hill patent was invalid because of prior art.
>
> In 1927, while the patent suits against Smith and Rowe were awaiting trial, Dick entered into separate agreements with them providing, among other things, for the payment by Dick of a substantial sum of money in installments, and further providing that an additional substantial sum would be paid by Dick unless, by 1931, the Hill patent had been declared invalid by a court of last resort. In consideration for these payments, Smith and Rowe each acknowledged the validity of the Hill patent, consented to the entry of a decree enjoining infringement of the Hill patent, transferred to Dick certain property including evidence tending to show anticipation of the Hill invention, and agreed to refrain from rendering assistance to any stencil manufacturer other than Dick.
>
> Subsequent to the execution of the agreements referred to in the preceding paragraph, Simplicator Corp. and Arlac Dry Stencil Corp., competitors of Dick, in the course of defending infringement suits brought against them by Dick, each caused interrogatories to be propounded to Smith and Rowe dealing

with the questions of prior art and the agreements made by Smith and Rowe with Dick. In response to these interrogatories, Smith and Rowe each concealed his pecuniary interest in an adjudication sustaining the validity of the Hill patent and each withheld evidence of prior art. The Hill patent was subsequently held valid in both actions.

In the above allegations the word "Dick" refers to A. B. Dick Company, the present respondent, and the words "Hill patent" refer to Patent No. 1,526,982, the patent involved in this suit.

If the above allegations should be established on trial thereof, respondent has suppressed proof as to the prior art for the purpose of obtaining judicial decisions upholding the validity of the patent on which the present infringement suit is based; decisions so obtained were among those upon which the circuit court of appeals relied in the present case as having conclusively settled the validity of respondent's patent;[1] and respondent's continuing inequitable and fraudulent suppression of proof pertinent to the validity of its patent has withheld from the petitioner facts which, had they been available to it, might have defeated the present suit. Where a patentee has suppressed facts tending to show the invalidity of his patent, securing the aid of a court in enforcing the patent is a fraud on the court, and the court, on discovery of the true facts, will take whatever action is necessary to remedy this wrong. *Hazel-Atlas Co.* v. *Hartford-Empire Co.*, 322 U. S. 238. See *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240; *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Machinery Co.*, 324 U. S. 806.

[1] The court, in stating that it and other circuit courts of appeals had uniformly upheld the validity of respondent's patent, cited, *inter alia*, *A. B. Dick Co.* v. *Simplicator Corp.*, 34 F. 2d 935 (C. C. A. 2), and *Arlac Dry Stencil Corp.* v. *A. B. Dick Co.*, 46 F. 2d 899 (C. C. A. 3). See 155 F. 2d 923, 924-925.

This Court has recently noted that "the inherent power of a Federal Court to investigate whether a judgment was obtained by fraud, is beyond question." *Universal Oil Products Co.* v. *Root Refining Co.,* Nos. 48 and 64, October Term, 1945, decided June 10, 1946, slip sheet opinion p. 4. This Court may wish to have an inquiry made to determine the truth of the facts alleged in the Government's antitrust proceedings before final disposition of this case, in view of the public interest in safeguarding the integrity of the judicial process and in not permitting misuse of the public grant which a patent represents. If this Court should so conclude and should set aside the judgment below and remand the cause for the purpose of taking such action as may be necessary in order to bring to trial the question of suppression of evidence by respondent, the United States will, on the request of either the circuit court of appeals or the district court, offer its services as *amicus curiae* in the framing and trial of the issue. Cf. *Universal Oil Products Co.* v. *Root Refining Co., supra.*

J. Howard McGrath,
Solicitor General.

October 1946